



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 10/2/2000

GAIN Report #AR0054

Argentina

Sugar

Semi-Annual

2000

Approved by:

David Mergen

U.S. Embassy

Prepared by:

Ken Joseph

Report Highlights:

Argentine sugar production for MY2001 is down at 1.53 million metric tons due to early frosts and to poorer plantation management. Exports will be lower than earlier forecast, primarily because of a drop in output. Despite the current strong economic recession, sugar domestic consumption is estimated to remain unchanged from last year. Production for MY2002 is projected to remain at similar levels.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Buenos Aires [AR1], AR

<< Table of Contents will generate here >>

Argentine sugar output for MY2001 is now estimated at 1.53 million metric tons (MMT), lower than our previous forecast. The main reasons for such a drop were the severe frosts which occurred during June/July and, to a lower extent, poorer field management in many cases due to tight returns.

In April/May, prior to the beginning of the harvest, the local sugar complex was about to sign an industry wide agreement (trusteeship) which would order the marketing of the crop with the objective of improving prices and thus, profitability. The basic idea was to force the exportation of 20 percent of the total production plus the carryover and to divide in 12 quotas the balance for the domestic market. As in most cases, the idea failed and there was no agreement as a couple of mills did not want to join the agreement. Therefore, the sugar crop developed totally free with no conditions nor limitations. Due to the very weak financial situation in which most mills and producers are after two years of low international and domestic prices, most of them were forced to sell their sugar right away (in Tucuman most producers are paid in kind) to face their financial needs. This, together with banks' limited credits forced sugar prices down to range between \$210/250 per MT explant (for refined sugar). With this level of prices, practically none will make money in this crop. However, with a lower production than earlier expected, two of the larger mills (with good financial support) are currently buying sugar with two objectives: 1) help maintain current prices, and 2) they expect sugar prices to increase during November 2000/May 2001. Traders foresee prices going well above \$300 per MT once the harvest is over. With current production and consumption levels, ending stocks in MY2001 will be minimal.

Imports in MY2001 were estimated at 1,350 MT, valued at \$274,000, of which 88 percent came from Brazil. The local subsidiaries of two international chocolate companies accounted for 82 percent of total imports. The dispute on sugar imports between Argentina and Brazil continues. The local Congress voted a resolution to extend the current import policy until 2005, but the GOA vetoed it. The two countries continue negotiating and the final outcome is still unknown. With Brazil's drop in cane production and its higher sugar prices (even higher than in Argentina in dollar terms), imports are projected to continue at insignificant levels.

With the failure of the marketing agreement, exports in MY2001 are forecast down at 70,000 MT of refined sugar, primarily to Chile, and 70,000 MT of raw sugar, primarily to the US (under the tariff rate quota). With stronger sugar world prices, exports have been more profitable than normal, especially when compared to depressed domestic prices. Argentine sugar exports enjoy a tax rebate of 8.1 percent.

PSD Table						
Country	Argentina					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		06/1998		06/1999		06/2000
Beginning Stocks	200	200	322	322	263	263
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1830	1830	1670	1670	1650	1530
TOTAL Sugar Production	1830	1830	1670	1670	1650	1530
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	1	1	1	1	1	1
TOTAL Imports	1	1	1	1	1	1
TOTAL SUPPLY	2031	2031	1993	1993	1914	1794
Raw Exports	77	77	85	85	130	70
Refined Exp.(Raw Val)	112	112	115	115	120	70
TOTAL EXPORTS	189	189	200	200	250	140
Human Dom. Consumption	1510	1510	1520	1520	1530	1520
Feed Dom. Consumption	10	10	10	10	10	10
TOTAL Dom. Consumption	1520	1520	1530	1530	1540	1530
Ending Stocks	322	322	263	263	124	124
TOTAL DISTRIBUTION	2031	2031	1993	1993	1914	1794

PSD Table						
Country	Argentina					

Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		06/1998		06/1999		06/2000
Area Planted	290	290	290	280	0	275
Area Harvested	275	275	275	270	0	265
Production	16700	16700	16500	16000	0	15000
TOTAL SUPPLY	16700	16700	16500	16000	0	15000
Utilization for Sugar	16700	16700	16500	16000	0	15000
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	16700	16700	16500	16000	0	15000